

**LAGRANGE TOWNSHIP  
Cass County, Michigan**

**AUDITED FINANCIAL REPORT**

**For the Fiscal Year Ended  
June 30, 2008**

LAGRANGE TOWNSHIP  
For the Year Ended June 30, 2008

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## FINANCIAL SECTION

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## Independent Auditor's Report

December 12, 2008

To the Board of Trustees  
LaGrange Township  
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of LaGrange Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents. These financial statements are the responsibility of LaGrange Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of LaGrange Township as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Trustees  
LaGrange Township  
December 12, 2008

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaGrange Township's basic financial statements. The accompanying required supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The required supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz and Ziel of Plymouth". The signature is written in a cursive, flowing style.

Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants

## Management's Discussion and Analysis

As management of LaGrange Township, we offer readers of LaGrange Township's financial statements this narrative overview and analysis of the financial activities of LaGrange Township for the fiscal year ended June 30, 2008.

### Financial Highlights

- The assets of LaGrange Township exceeded its liabilities at the close of the most recent fiscal year by \$1,050,534 (*net assets*). Of this amount, \$681,510 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, LaGrange Township's governmental funds reported combined ending fund balances of \$817,672, an increase of \$109,868 in comparison with the prior year. Approximately 83% of this total amount, \$681,510 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$380,240, or 160 percent of total general fund expenditures.
- LaGrange Township's total non-current liabilities decreased by \$66,083 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to LaGrange Township's basic financial statements. LaGrange Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of LaGrange Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of LaGrange Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of LaGrange Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of LaGrange Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of LaGrange Township include general government, public safety, public works and other activities. The Township has no business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. LaGrange Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of LaGrange Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

LaGrange Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Development, Emergency Services, and C.A.U.A. Special Assessment Debt Service Funds which are considered to be major funds.

LaGrange Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and the special revenue funds to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support LaGrange Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 14 and 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-29 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of LaGrange Township, assets exceeded liabilities by \$1,050,534 at the close of the most recent fiscal year.

	Governmental	
	2008	2007
Current and Other Assets	\$ 976,741	\$ 928,922
Capital Assets	431,111	488,412
Total Assets	<u>1,407,852</u>	<u>1,417,334</u>
Long-term Liabilities	198,249	264,332
Other Liabilities	159,069	221,118
Total Liabilities	<u>357,318</u>	<u>485,450</u>
Net Assets:		
Invested in Capital Assets		
net of related debt	232,862	224,080
Restricted	136,162	72,286
Unrestricted	681,510	635,518
Total Net Assets	<u>\$ 1,050,534</u>	<u>\$ 931,884</u>

A significant portion of LaGrange Township's net assets (22 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related debt used to acquire those assets that is still outstanding. LaGrange Township used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although LaGrange Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



A portion of LaGrange Township's net assets (13 percent) represents resources that are subject to external restrictions on how they may be used. The remaining, and largest portion of *unrestricted net assets* (\$681,510) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, LaGrange Township is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

The government's net assets increased by \$118,650 during the current fiscal year as shown in the table below.

	Governmental Activities	
	2008	2007
Program Revenues:		
Charges for Services	\$ 126,273	\$ 123,711
Operating Grants & Contributions	2,965	2,952
General Revenues:		
Property Taxes	257,203	236,994
State Shared Revenues	106,561	109,700
Unrestricted Investment Earnings	25,650	32,822
Total Revenues	<u>518,652</u>	<u>506,179</u>
Program Expenses		
General Government	143,350	137,345
Public Safety	105,698	157,143
Public Works	128,131	123,387
Other	18,197	19,819
Interest on Long-Term Debt	4,626	5,947
Total Expenses	<u>400,002</u>	<u>443,641</u>
Change in Net Assets	<u>\$ 118,650</u>	<u>\$ 62,538</u>

**Governmental activities.** Governmental activities increased LaGrange Township's net assets by \$118,650 due to the fact that revenues exceeded expenses for current activities, and no unusual or non-recurring costs were incurred.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

### Financial Analysis of the Government's Funds

As noted earlier, LaGrange Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of LaGrange Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing LaGrange Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, LaGrange Township's governmental funds reported combined ending fund balances of \$817,672, an increase of \$109,868 in comparison with the prior year. Approximately 83% of this total amount (\$681,510) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service (\$69,744), and restricted to community development (\$66,418).

The general fund is the chief operating fund of LaGrange Township. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance was \$380,240. Unreserved fund balance represents 160 percent of total general fund expenditures.

The fund balance of LaGrange Township's general fund increased by \$19,508 during the current fiscal year, as revenues exceeded operating expenses and there were no significant capital expenditures.

### **General Fund Budgetary Highlights**

There were no differences between the original expenditure budget and the final amended expenditure budgets.

### **Capital Asset and Debt Administration**

**Capital assets.** LaGrange Township's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$431,111 (net of accumulated depreciation). This investment in capital assets includes land, buildings, sewer improvements, and equipment. No major capital asset events occurred during the current fiscal year.

Details to the Township's capital assets are continued in the notes to the financial statements on page 25.

**Long-term debt.** At the end of the current fiscal year, LaGrange Township had total long term debt outstanding of \$198,249, all of which comprises debt backed by the full faith and credit of the government. Additional information on LaGrange Township's long-term debt can be found in Note IV.D. on pages 26.

## **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state shared revenues. State shared revenues are expected to decrease again in the 2009 fiscal year. LaGrange Township budgeted for a decrease in state shared revenue, but additional cuts have already been made and more cuts are expected before the end of the fiscal year. LaGrange Township's millage rate was reduced again by the Headlee Amendment rollback for general operating purposes. These factors were considered in preparing LaGrange Township's budget for the 2009 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of LaGrange Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the LaGrange Township Supervisor.

## BASIC FINANCIAL STATEMENTS

**LAGRANGE TOWNSHIP**  
**Statement of Net Assets**  
**June 30, 2008**

	<b><u>Governmental Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents	\$ 784,077
Receivables (net of allowance for uncollectibles):	
Special Assessments	118,008
Due from Other Governmental Units	19,894
Prepaid Expenditures	54,762
Capital Assets (Net of Accumulated Depreciation)	431,111
Total Assets	<u>1,407,852</u>
<b><u>LIABILITIES</u></b>	
Accounts Payable	41,061
Deferred Revenue	118,008
Noncurrent Liabilities:	
Due within one year	66,083
Due in more than one year	132,166
Total Liabilities	<u>357,318</u>
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets, net of related debt	232,862
Restricted for:	
Debt Service	69,744
Other	66,418
Unrestricted	681,510
Total Net Assets	<u>\$ 1,050,534</u>

**LAGRANGE TOWNSHIP**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>			<b><u>Governmental Activities</u></b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 143,350	\$ 59,659	\$ -	\$ (83,691)
Public Safety	105,698	-	-	(105,698)
Public Works	128,131	66,614	2,965	(58,552)
Other	18,197	-	-	(18,197)
Interest on Long-Term Debt	4,626	-	-	(4,626)
Total Governmental Activities	<u>400,002</u>	<u>126,273</u>	<u>2,965</u>	<u>(270,764)</u>
General Revenues:				
				257,203
				106,561
				<u>25,650</u>
				<u>389,414</u>
				118,650
				<u>931,884</u>
				<u>\$ 1,050,534</u>

**LAGRANGE TOWNSHIP****Balance Sheet****Governmental Funds****June 30, 2008**

	<u>General</u>	<u>Community Development Spec. Revenue</u>	<u>Emergency Services Spec. Revenue</u>	<u>C.A.U.A. Special Assess. Debt Service</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 648,367	\$ 66,418	\$ -	\$ 69,292	\$ 784,077
Receivables (net of allowance for uncollectibles):					
Special Assessments	-	-	-	118,008	118,008
Due from Other Funds	-	-	287,021	452	287,473
Due from Other Governmental Units	19,894	-	-	-	19,894
Prepaid Expenditures	327	-	54,435	-	54,762
Total Assets	<u>\$ 668,588</u>	<u>\$ 66,418</u>	<u>\$ 341,456</u>	<u>\$ 187,752</u>	<u>\$ 1,264,214</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>					
Liabilities:					
Accounts Payable	\$ 875	\$ -	\$ 40,186	\$ -	\$ 41,061
Due to Other Funds	287,473	-	-	-	287,473
Deferred Revenue	-	-	-	118,008	118,008
Total Liabilities	<u>288,348</u>	<u>-</u>	<u>40,186</u>	<u>118,008</u>	<u>446,542</u>
Fund Balances:					
Reserved for:					
Debt Service	-	-	-	69,744	69,744
Other	-	66,418	-	-	66,418
Unreserved for:					
General Fund	380,240	-	-	-	380,240
Special Revenue Funds	-	-	301,270	-	301,270
Total Fund Balances	<u>380,240</u>	<u>66,418</u>	<u>301,270</u>	<u>69,744</u>	<u>817,672</u>
Total Liabilities and Fund Balances	<u>\$ 668,588</u>	<u>\$ 66,418</u>	<u>\$ 341,456</u>	<u>\$ 187,752</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

431,111

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(198,249)

Net Assets of Governmental Activities

\$ 1,050,534

**LAGRANGE TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2008**

	<u>General</u>	<u>Community Development Spec. Revenue</u>	<u>Emergency Services Spec. Revenue</u>	<u>C.A.U.A. Special Assess. Debt Service</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property Taxes	\$ 79,370	\$ -	\$ 177,833	\$ -	\$ 257,203
Special Assessments	-	-	-	66,614	66,614
Intergovernmental:					
Federal, State and Local	109,526	-	-	-	109,526
Charges for Services	33,117	-	-	-	33,117
Interest	9,122	2,475	12,500	1,553	25,650
Other	26,542	-	-	-	26,542
Total Revenues	<u>257,677</u>	<u>2,475</u>	<u>190,333</u>	<u>68,167</u>	<u>518,652</u>
<b>Expenditures</b>					
Current:					
General Government	141,318	-	-	-	141,318
Public Safety	5,792	-	99,906	-	105,698
Public Works	72,862	-	-	-	72,862
Debt Service:					
Principal	-	-	-	66,083	66,083
Interest and Other Charges	-	-	-	4,626	4,626
Other	18,197	-	-	-	18,197
Total Expenditures	<u>238,169</u>	<u>-</u>	<u>99,906</u>	<u>70,709</u>	<u>408,784</u>
Excess (Deficiency) of Revenues Over Expenditures	19,508	2,475	90,427	(2,542)	109,868
Fund Balances - Beginning	<u>360,732</u>	<u>63,943</u>	<u>210,843</u>	<u>72,286</u>	<u>707,804</u>
Fund Balances - Ending	<u>\$ 380,240</u>	<u>\$ 66,418</u>	<u>\$ 301,270</u>	<u>\$ 69,744</u>	<u>\$ 817,672</u>



**LAGRANGE TOWNSHIP**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 109,868
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(57,301)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>66,083</u>
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Change in net assets in governmental activities	<u><u>\$ 118,650</u></u>
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**LAGRANGE TOWNSHIP**  
**Statement of Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

<u>ASSETS</u>	Officials Retirement Plan	Agency Funds
Cash	\$ -	\$ 375
Investments, at Fair Value	<u>103,381</u>	<u>-</u>
Total Assets	103,381	375
 <u>LIABILITIES</u>		
Due to Other	<u>-</u>	<u>375</u>
Net Assets Held in Trust	\$ <u><u>103,381</u></u>	\$ <u><u>-</u></u>

**LAGRANGE TOWNSHIP**  
**Statement of Changes in Net Assets**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2008**

	Officials Retirement Plan
<b><u>ADDITIONS</u></b>	
Investment Income:	
Earnings on Investments	\$ 1,511
Contributions:	
Employer	7,762
Employee	<u>2,714</u>
Total Additions	<u>11,987</u>
<b><u>DEDUCTIONS</u></b>	
Benefits	252,531
Net Depreciation	
in Fair Value of Investments	<u>20,537</u>
Total Deductions	<u>273,068</u>
Net Increase (Decrease) in Assets	(261,081)
Net Assets Held in Trust :	
July 1	<u>364,462</u>
June 30	<u><u>\$ 103,381</u></u>

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

LaGrange Township operates under a Board of Trustees form of government and provides the following services as permitted by law: public safety (fire), cultural and recreation, public improvements, planning and zoning, and general administrative services.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of LaGrange Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, the following organization is excluded from the accompanying financial statements for the reasons stated.

Cassopolis Area Utilities Authority

- \* Financed through special assessment districts in each township.
- \* LaGrange Township has no direct managerial control.
- \* Budgets are approved by the Authority Board.

The Cassopolis Area Utility Authority was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended by the Village of Cassopolis, and the Townships of Calvin, Jefferson, LaGrange and Penn, all of the County of Cass, Michigan.

The expressed purpose of the Authority is to acquire, construct, purchase, finance, own, improve, enlarge, operate, maintain, administer and manage sewage disposal systems and water supply systems in accordance with Act 233, Public Acts of Michigan, 1955, as amended.

LaGrange Township will be responsible for 24.03% of the Authority's annual debt service, which will be financed by special assessments on the benefiting property owners.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Development Special Revenue Fund-established to account for grant revenue, program income, and expenditures of the Community Development Block Grant Small Cities Program.

Emergency Services Special Revenue Fund-used to account for the collection of the specific voter approved tax levies for fire fighting and ambulance services.

Cassopolis Area Utilities Authority Sewer Special Assessment Debt Service Fund-established to account for the special assessment collection and debt service payments on the Township's share of the sewer project debt.

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary Funds include the following fund types:

Pension Trust Fund-accounts for the activities of the Officials Retirement Plan, which accumulates resources for the pension benefits payments to elected officials.

The agency funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. non-current portion of interfund loans).

3. Capital Assets

Capital assets, (which include property, plant, equipment, and infrastructure), are reported in the governmental columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

3. Capital Assets – Continued

Property, plant and equipment of the Township are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Equipment	5-20
Infrastructure	15-30

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The detail of this \$198,249 difference is as follows:

Contract Debt (Special Assessment)	<u>\$ 198,249</u>
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B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$(57,301) difference is as follows:

Depreciation Expense	<u>\$ (57,301)</u>
----------------------	--------------------

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The detail of this \$66,083 difference is as follows:

Principal Repayments	<u>\$ 66,083</u>
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LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

1. Budgets must be adopted for the General and Special Revenue Funds.
2. Budgets must be balanced.
3. Budgets must be amended as necessary.
4. Public hearings must be held prior to adoption.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. In accordance with State law, prior to June 30, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and means of financing them for the upcoming year. Detail line item budgets are included for administrative control. The level of control for the detail budgets is at the department level.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted at the activity level for the General Fund and at the total fund expenditure level for the Special Revenue Funds through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all budgetary funds.
5. Budget appropriations lapse at year end.
6. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
7. Budgeted amounts are reported as originally adopted, or as amended by the Township Board.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balance

The Township had no accumulated deficits at June 30, 2008.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. The General Fund had over expenditure of appropriations of \$3,811 (see page 30).

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades.

The following information as required by the Governmental Accounting Standards Board Statement Number 40, is presented regarding the Township's deposits and investments:

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of June 30, 2008, the Township's book balance of its deposits was \$784,352; the total book value was \$784,452 due to \$100 in cash on hand. The bank balance was \$783,617 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 102,757
Uninsured and Uncollateralized	<u>680,860</u>
Total	<u><u>\$ 783,617</u></u>

A reconciliation of cash to the accompanying financial statements follows:

Statement of Net Assets:	
Cash and Cash Equivalents	\$ 784,077
Fiduciary Fund:	
Cash	<u>375</u>
Total	<u><u>\$ 784,452</u></u>

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments – Continued

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Deposits and Investments:		
Savings and Checking Accounts	\$ 665,024	Demand
Certificates of Deposit	\$ 118,593	170 Days

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices. As of year end, all deposits and investments consist of demand accounts, pooled investments and certificates of deposit, all of which are not rated.

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in a single issuer.

The Township also maintains a defined contribution pension plan, (see note V. A.), for the elected officials. The plan investments conform to state law requirements (P.A. 55 of 1982 as amended and P.A. 252 of 1988), and consist solely of retirement annuities purchased through John Hancock Financial Services:

<u>Type</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Average Credit Quality Ratings</u>	<u>Weighted Average Days to Maturity</u>
Pool Investments	<u>\$ 103,381</u>	<u>\$ 103,381</u>	N/A	N/A

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

B. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, not depreciated:				
Land	\$ 10,113	\$ -	\$ -	\$ 10,113
Capital Assets, being depreciated:				
Building and Improvements	46,701	-	-	46,701
Machinery and Equipment	44,473	-	-	44,473
Infrastructure	1,381,725	-	-	1,381,725
	<u>1,472,899</u>	<u>-</u>	<u>-</u>	<u>1,472,899</u>
Less: Accumulated Depreciation:				
Building and Improvements	(41,910)	-	(417)	(42,327)
Machinery and Equipment	(40,752)	-	(1,615)	(42,367)
Infrastructure	(911,938)	-	(55,269)	(967,207)
	<u>(994,600)</u>	<u>-</u>	<u>(57,301)</u>	<u>(1,051,901)</u>
Governmental Activities Capital Assets, net	\$ <u>488,412</u>	\$ <u>-</u>	\$ <u>(57,301)</u>	\$ <u>431,111</u>

Depreciated expense was charged to functions of the Township as follows:

General Government	\$ 2,032
Public Works	55,269
	<u>\$ 57,301</u>

C. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
C.A.U.A. Special Assessment Debt Service Fund	General Fund	\$ 452
Emergency Service Fund	General Fund	<u>287,021</u>
Total		<u>\$287,473</u>

Activity represents uncleared transactions at year end.

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

D. Long-Term Debt

The following is a summary of long-term debt transactions of the Township for the year ended June 30, 2008:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Balance</u> <u>Within 1 Year</u>
Gov. Activities:					
Special Assessment					
Contract Debt-CAUA	\$ 264,332	\$ -	\$ 66,083	\$ 198,249	\$ 66,083

The following is a summary of general obligation debt outstanding of the Township as of June 30, 2008:

	<u>Number of</u> <u>Issues</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>Through</u>	<u>Principal</u> <u>Outstanding</u>
Governmental Activities:				
Special Assessment	2	2.00%-7.4%	2010	\$ 198,249

The annual debt service requirements to maturity for debt outstanding as of June 30:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 66,083	\$ 3,304
2010	66,083	1,983
2011	66,083	661
	<u>\$ 198,249</u>	<u>\$ 5,948</u>

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

IV. DETAILED NOTES ON ALL FUNDS – Continued

E. Reserved Fund Balance

A detailed description of fund balance reservations and designations (for all governmental fund types) at June 30, 2008, is presented below:

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
<u>Fund Balance</u>			
Reserved For:			
Debt Service	\$ -	\$ -	\$ 69,744
Other	-	66,418	-
Unreserved:			
Undesignated	<u>380,240</u>	<u>301,270</u>	<u>-</u>
Total Fund Balance	<u>\$ 380,240</u>	<u>\$ 367,688</u>	<u>\$ 69,744</u>

F. Property Taxes

Property tax assessments are determined (Tax Day) as of each December 31. Taxes are levied on December 1 of the following year. The Township collects its own property taxes along with the County and school taxes and accounts for the collection and subsequent distribution in the Tax Collection Fund. Township property taxes are recognized in the subsequent year as revenue in accordance with the guidelines of the State of Michigan.

The Township tax levy for the 2007 roll was:

<u>Purpose</u>	<u>Rate</u>
General Township	0.8830
Emergency Services	2.0000

LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION

A. Employee Retirement Systems and Plans-Elected Officials Retirement Plan

1. Plan Description

LaGrange Township group pension plan is a single employer P.E.R.S. that administers the Township's defined contribution pension plan for its elected officials. The Township is the only non-employee contributor to the plan. Only elected officials are eligible for the plan. As of June 30, 2008 the plan's membership was 5 officials.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. The Plan was established by Township ordinance, which may be amended by amendment of the ordinance. As established by Township policy, all elected officials are eligible for the plan on the date of commencement of their employment (following election) and officials may waive participation upon written notification. Participant and employer contributions vest immediately as provided by the plan. Employer contributions are based on the officials' gross earnings in accordance with a contribution table included in the plan. Mandatory employee contributions are made on an after-tax basis at an amount equal to one third of the employer contribution. During fiscal year 2008, the following Plan contributions were made:

Employer	\$ 7,762
Employee	<u>2,714</u>
Total	<u>\$ 10,476</u>

The total plan expense including fees was \$13,428.



LAGRANGE TOWNSHIP  
Notes to Financial Statements  
June 30, 2008

V. OTHER INFORMATION – Continued

A. Employee Retirement Systems and Plans-Elected Officials Retirement Plan – Continued

2. Summary of Significant Accounting Policies and Plan Asset Matters

The Township's elected officials pension plan financial statements are prepared on the accrual basis of accounting. Contributions from the Township and the Township employees are recognized as revenue in the period in which employees provide services to the Township. Investment income is recognized as earned by the pension plan. Investments in securities are valued at fair value.

All funds are invested in retirement annuities through the John Hancock Financial Services Retirement Plan sponsored by the Michigan Township Association.

There are no investments in, loans to, or leases with parties related to the pension plan.

B. Risk Management

LaGrange Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

C. Option to Purchase Property

During the year LaGrange Township, along with Jefferson, Penn and Calvin Townships entered into an option to purchase real estate with Life Care Ambulance Real Estate Holdings. The agreement allows the townships to purchase certain facilities from Life Care for \$211,861, payable in monthly installments over 7 years. LaGrange Township's share of these payments is 22% and totaled \$8,292, which has been reflected as an expenditure in the current year.

REQUIRED SUPPLEMENTARY INFORMATION

**LAGRANGE TOWNSHIP**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Variance with</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>		<b><u>Final Budget</u></b>
Revenues:				
Property Taxes	\$ 83,700	\$ 83,700	\$ 79,370	\$ (4,330)
Intergovernmental - State	109,000	109,000	109,526	526
Charges for Services	-	-	33,117	33,117
Interest Earnings	8,000	8,000	9,122	1,122
Other Revenues	-	-	26,542	26,542
	<u>200,700</u>	<u>200,700</u>	<u>257,677</u>	<u>56,977</u>
Total Revenues				
Expenditures:				
General Government:				
Township Board	37,255	37,255	29,253	8,002
Supervisor	21,500	21,500	17,428	4,072
Elections	12,400	12,400	4,939	7,461
Assessor	32,300	32,300	36,111	(3,811)
Clerk	19,400	19,400	18,088	1,312
Board of Review	3,000	3,000	1,289	1,711
Deputy Clerk	3,400	3,400	1,905	1,495
Board of Appeals	2,400	2,400	1,158	1,242
Treasurer	27,000	27,000	24,998	2,002
Building and Grounds	8,550	8,550	1,668	6,882
Cemetery	5,000	5,000	4,481	519
Total General Government	<u>172,205</u>	<u>172,205</u>	<u>141,318</u>	<u>30,887</u>
Public Safety:				
Planning	4,700	4,700	930	3,770
Zoning	6,500	6,500	4,862	1,638
Total Public Safety	<u>11,200</u>	<u>11,200</u>	<u>5,792</u>	<u>5,408</u>
Public Works:				
Roads and Street Lighting	<u>73,800</u>	<u>73,800</u>	<u>72,862</u>	<u>938</u>
Other	<u>19,900</u>	<u>19,900</u>	<u>18,197</u>	<u>1,703</u>
Total Expenditures	<u>277,105</u>	<u>277,105</u>	<u>238,169</u>	<u>38,936</u>
Excess (Deficiency) of Revenues Over Expenditures	(76,405)	(76,405)	19,508	95,913
Fund Balance - Beginning	<u>360,732</u>	<u>360,732</u>	<u>360,732</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 284,327</u>	<u>\$ 284,327</u>	<u>\$ 380,240</u>	<u>\$ 95,913</u>

**LAGRANGE TOWNSHIP**  
**Community Development Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b><u>Budgeted Amounts</u></b>			<b><u>Variance with Final Budget</u></b>
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	
Revenues- Interest Income	\$ -	\$ -	\$ 2,475	\$ 2,475
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	2,475	2,475
Fund Balance - July 1	<u>63,943</u>	<u>63,943</u>	<u>63,943</u>	<u>-</u>
Fund Balance - June 30	\$ <u><u>63,943</u></u>	\$ <u><u>63,943</u></u>	\$ <u><u>66,418</u></u>	\$ <u><u>2,475</u></u>

**LAGRANGE TOWNSHIP**  
**Emergency Services Fund**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2008**

	<b><u>Budgeted Amounts</u></b>			<b><u>Variance</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>with Final</u></b>
	<b><u>Budget</u></b>	<b><u>Budget</u></b>		<b><u>Budget</u></b>
Revenues:				
Property Taxes	\$ 178,400	\$ 178,400	\$ 177,833	\$ (567)
Interest Income	-	-	12,500	12,500
Total Revenues	<u>178,400</u>	<u>178,400</u>	<u>190,333</u>	<u>11,933</u>
Expenditures-Public Safety	<u>148,300</u>	<u>148,300</u>	<u>99,906</u>	<u>48,394</u>
Excess (Deficiency) of Revenues Over Expenditures	30,100	30,100	90,427	60,327
Fund Balance - July 1	<u>210,843</u>	<u>210,843</u>	<u>210,843</u>	<u>-</u>
Fund Balance - June 30	<u><u>\$ 240,943</u></u>	<u><u>\$ 240,943</u></u>	<u><u>\$ 301,270</u></u>	<u><u>\$ 60,327</u></u>

# POST, SMYTHE, LUTZ and ZIEL

of Plymouth LLP  
*Certified Public Accountants*

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## PLYMOUTH

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Rana M. Emmons, C.P.A.

## BLOOMFIELD HILLS

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SUITE 101  
BLOOMFIELD HILLS, MI 48301-3212

Jennifer A. Galofaro, C.P.A., C.V.A.  
Susan H. Bertram, C.P.A.

December 15, 2008

Board of Trustees  
LaGrange Township  
Cass County, Michigan

In planning and performing our audit of the financial statements of LaGrange Township as of and for the year ended June 30, 2008, in accordance with U.S. generally accepted auditing standards, we considered LaGrange Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitutes material weakness:

### Preparation of Financial Statements

Michigan governments are required to prepare financial statement in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of the financial statements in accordance with GAAP requires internal controls over recording, processing and summarizing accounting data, and reporting government-wide and fund financial statements, including the related note disclosures.

It is common for small governments to rely on the independent auditors to assist in the preparation of the financial statements as well as the notes to the financials as part of the external reporting process-the Township believes that this is the most cost effective approach to meeting the State's required financial reports.

Preparation of Financial Statements-Continued

However, we are required to report to that the Township does not have procedures in place nor an employee with sufficient skills to prepare financial statements and record transactions in accordance with U.S. Generally Accepted Accounting Principles, since independent auditors cannot be part of the Township's system of internal controls.

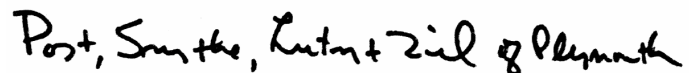
Property Tax Collection Fund

We had the following recommendations relative to tax collections:

- Improve Internal Control – Currently, the Treasurer makes all bank deposits, signs all checks (single signature), reconciles the bank, and initiates disbursements without the involvement of any other employee. We suggest that you consider adding a “lock box” for deposits (where mail deposits are directed to your bank through a P.O. Box), add the clerk as a counter signer to disbursements, and use the clerk or a bookkeeper to perform monthly bank reconciliations.
- Interest earned on property tax collection accounts – P.A. 169 of 1988 requires townships to share investment income earned in the property tax fund with other taxing authorities. We recommend that the interest earned in the property tax fund be shared with the other taxing agencies as required by law.

This communication is intended solely for the information and use of management, the Board of Trustees of the LaGrange Township, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Post, Smythe, Lutz and Ziel of Plymouth LLP  
Certified Public Accountants